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ABSTRACT

What has been learned about making cities better since civil disturbances first arose in American cities is summarized, and guidelines are offered for constructing an urban agenda for improvement. In some respects the country has made real progress since the Watts riots, but in other areas, conditions are unambiguously worse, with increasing poverty and crime. Cities have returned to an older, multiethnic demography, and these changes, which create the opportunity to forge a truly multiracial society, also contribute to a new dynamic of social tension. The American city is becoming a machine that reinforces inequality. Guidelines for constructing an agenda to address these problems include: (1) choose programs as social investments; (2) define a consistent social contract between society and those who receive government program benefits; (3) attack spatial segmentation; and (4) recognize that all levels of government and the community itself have roles to play. Human investment (immersion programs for children and youth; urban school initiatives; nurturing programs for adolescents; and income, work, and public benefits), investment in cities as places (targeting job creation in inner cities, and making inner city neighborhoods safer), and investment in social mobility are all crucial. Progress will not be possible without strong economic growth, adequate tax support, and leadership at all levels. (SLD)

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CONFRONTING THE NATION'S URBAN CRISIS

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CONFRONTING THE NATION'S URBAN CRISIS

From Watts (1965) to South Central Los Angeles (1992)

The Urban Institute
2100 M Street, N.W.
Washington, D.C.
20037

September 1992

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PREFACE

In the wake of the recent Los Angeles riots, a group of Urban Institute senior analysts and I started meeting on a regular basis to discuss the meaning of the riots, what is known about their underlying causes, and what lessons can be learned about promising responses. Over a period of weeks several background papers were written, from which this report was prepared. The intent of the exercise was to distill those lessons into a brief document that could serve as a starting point for planning a concrete strategy to attack the problems of the inner city.

George E. Peterson was the lead author. D. Lee Bawden, Adele V. Harrell, Paul T. Hill (RAND Corporation), Ronald B. Mincy, Demetra S. Nightingale, Margery A. Turner, and J. Christopher Walker were contributing authors. Of the many persons, both within and outside the Institute, who provided valuable guidance and insight along the way, I would like to mention, in particular, Angela G. Blackwell, William A. Diaz, Alan L. Otten, Maria E. Enchautegui, Neil Goldschmidt, Elliott S. Hall, James E. Kee, G. Thomas Kingsley, David O. Maxwell, Robert S. McNamara, Hugh B. Price, Isabel V. Sawhill, John Shannon, C. Eugene Steuerle, and Eugene R. Wilson.

The problems of the inner city, and the waste of human resources that results, affect us all. If these problems remain unresolved, they will limit the future economic and social opportunities of all Americans. I hope that this report will help move the debate about our inner cities forward by providing a framework within which to plan action.

William Gorham
President
The Urban Institute

SUMMARY

The recent Los Angeles riots serve as a reminder that our cities are in crisis. And the echoes back to the Watts riots of a quarter century ago underline that the crisis has been with us for a long time. This report considers what we have learned since civil disturbances first poured through American cities. From a review of the evidence, it concludes that we know a good deal about how to make conditions in the cities better—both in principle and in specific program design.

A separate "urban" policy will not work. An integrated approach is required, which addresses city problems within the context of an overall domestic policy stressing human investment, job creation within the context of stronger economic growth, and the breaking down of race and income barriers within the center city. The problems of our cities will be solved only when residents can and do support themselves and their families at an adequate standard of living. For such a reform to be successful, it must be built firmly on a foundation of human investment, job availability, and mobility strategies that allow residents to get ahead as a result of their own efforts.

Conditions in the Cities: Twenty-Five Years Ago and Now

The urban record of the past 25 years is mixed. On some fronts the country has made real progress. Racial segregation has fallen steadily since the 1960s. Job discrimination by race has been reduced. Blacks, Hispanics, and other minorities now share the responsibility of running city government. In 1967, minorities in Detroit occupied 1.4 percent of the city police force jobs of the rank of lieutenant or higher. In 1990, the rate was 51.2 percent.

On other fronts, conditions are unambiguously worse. Real wages for those with a high school education or less have been falling for many years. Fathers have largely disappeared from many inner cities, leaving the vast majority of children there to grow up with single parents. Violent crime rates are much higher now than a quarter century ago and, after a brief respite in the 1980s, are on the rise again.

In some respects, urban problems have fundamentally changed. When the National Advisory Commission on Civil Disorders (Kerner Commission) prepared its report 25 years ago, it was possible to depict urban America as two societies, black and white, living in spatial separation, subject to unequal treatment. Today, the cities have returned to an older, multi-ethnic demography. Hispanics are the fastest-growing ethnic group in big cities; the Asian population is growing rapidly in a number of cities, especially on the West Coast. These changes create the opportunity to forge a truly multi-racial society. But they also have contributed to a new dynamic of social tension, in which different minority groups collide in economic and political competition.

While racial segregation in urban areas has declined, income segregation is on the rise. Neighborhoods are becoming more homogeneous by income class, and the income differences between neighborhoods are widening. One contributing factor is greater separation by income within the African-American community. The middle class of all races, which historically has provided stability, is now deserting the city and its institutions.

The Costs of Neglect

Failure to respond to the problems of the cities has resulted in a massive waste of human resources. The waste truncates individual lives, but it also is costly to the country as a whole.

By the year 2000, minorities, immigrants, and women will provide more than half of all net additions to the U.S. labor force. The preparation of many of these new workers will take place largely in urban school systems and job training programs—mechanisms that are now failing minority groups. High school dropout rates in big cities approach 50 percent. Many of those who graduate from big city schools are not ready for most jobs. In Chicago, for example, 25 percent of public high school graduates read at the 6th grade level or below. The United States will not be able to compete in markets requiring high labor skills unless it solves the problem of urban schooling.

Traditional opportunity channels in the cities—manufacturing jobs, government jobs, good schooling—are shutting down. As a result, the American city, seen throughout much of its history as an engine of social and economic mobility without parallel in the world, is becoming a machine that reinforces inequality. Cities always have been a potentially explosive mix, with individual advancement in return for work as their safety valve. Without this prospect, frustration and hostility mount.

Guidelines for an Integrated Policy Approach

Inner-city problems cannot be turned around by expanding or reforming individual programs on an isolated basis. An integrated approach is needed to set

priorities across programs and to seize opportunities for different programs to reinforce a common set of goals.

This report offers four guidelines for constructing a programmatic urban agenda, and illustrates the approach with specific examples of programs that have worked. The guidelines are:

1. Choose programs as social investments. Investments are evaluated by the rate of return they bring, without a presumption that smaller projects are better than large ones. In social programs, the evidence indicates that large-scale interventions in the lives of the young have a particularly good chance of economic and social payback. Job Corps and Head Start are two examples of this philosophy.

2. Define a consistent social contract between society and those who receive government program benefits. One of the fiercest policy debates over the last decade has been about values, and about how far public programs should go in requiring program beneficiaries to reflect certain values in their behavior. That debate is largely over. A consensus has emerged that society has the right to expect those who benefit from its programs to accept its values and restrict behavior accordingly. But a society that prizes liberty cannot be capriciously coercive. Hence, the need to set behavior incentives and requirements consistently and with restraint across housing, welfare, jobs, and community services programs.

3. Attack spatial segmentation. As long as urban areas suffer from extreme spatial separation by class, race, and income, they will be sites of conflict. A domestic policy that seeks to address city problems should carry a commitment to reduce spatial separation. That means making it easier for poor people to move out of cities and into the suburbs, and encouraging—even subsidizing if necessary—the middle class to move back in.

4. Recognize that all levels of government and the community itself have critical roles to play. Urban policy can never be an initiative of the federal government alone. States are responsible for crucial elements of city support, like schooling, and city governments are the ones who can best assert local public leadership. Ultimately, the local community must take responsibility and initiative to identify and confront its problems. Some of the most promising urban initiatives start with inner-city households defining for the first time their priorities for the neighborhood, then collaborating with city government to shape public programs to fit their goals.

Programs for Urban Areas

An urban action agenda must invest in the people of the cities; in the city as a place where people live, learn, and work; and in programs that can break down the paralyzing effects of racial and income segregation so that residents, wherever they live, can lay claim to the public resources of the entire region.

Human Investment. In terms of human investment strategies, the first challenge is to invest heavily in programs that have been shown to work in connecting people with mainstream social values and the mainstream labor market. The second is to acknowledge that the public schools do not work for the inner city.

Investment in Cities as Places. Investing in cities as places will mean investing in neighborhood communities to provide jobs and relief from fear of crime and drugs.

Investment in Mobility. Urban areas will remain places of social tension and frustrated opportunity as long as they are spatially segregated by income and race. The most direct route to reducing segregation is through housing policy. In the absence of residential dispersal policies, programs that open access to the institutions most closely tied to spatial segregation, such as the public school systems, should be promoted. Finally, a more general attack on income segregation should reduce local governments' ability to benefit on their tax rolls from segmentation.

Economic Prerequisites

Urban problems can be tackled successfully only against the background of stronger economic growth. The pursuit of a programmatic agenda should not be framed as an alternative priority to encouraging business investment, reducing the deficit, or strengthening the national savings rate. Rather, these are the economic and social prerequisites for paying attention to the cities.

Budgetary Implications

If programs are to effectively meet the needs of cities, resources will have to be shifted within both the public and private sectors, from consumption to investment, and from less productive to more productive investments. But it would be irresponsible to shift the costs of today's social adjustment to the next generation by "paying" for budget expenditures largely through borrowing. The present generation will have to do its part. That is likely to mean higher taxes—whether at the federal, state, or local level. There is still room to pay for national priorities—this country's combined tax burden now is the lowest of any Western industrial power.

Importance of Leadership

Finally, significant progress is impossible without *leadership* at all levels (from the President to community leaders) and *understanding* that a sustained effort is needed over a decade or two. If these two elements can converge, the country may be willing to commit the resources necessary to do the job.

TWENTY-FIVE YEARS AGO AND TODAY

The shock of the Los Angeles riots has forced the country's attention back to the inner city. Many are demanding action. But many are also suggesting that there is no plausible agenda for action, that nothing has worked in the past so nothing is likely to work now. The Urban Institute's review of the evidence suggests that an effective agenda can be developed based on what is now known. Equally important, at least a partial consensus now exists as to what the goals of such an agenda should be. The budgetary costs will be high but well within the capacity of the country if the will to take on the job can be mustered and sustained.

This report identifies the characteristics of the urban crisis, distills a series of guidelines for constructing a programmatic agenda, and discusses promising programs and directions that deserve serious policy consideration. Its intent is to give those with the power to act a starting point for considering concrete strategies.

One clear lesson is that the country does not now need another generation of separate "urban" policy. It needs a coordinated reform of domestic policy that takes into account the distinctive problems of the cities. For such a reform to be successful, it must be built firmly on a foundation of human investment, job availability, and mobility strategies that enable inner-city residents to support themselves with dignity and at a decent standard of living. If the country has the will and the commitment, real progress can be made.

Cities have always been a potentially explosive mix, with individual advancement in return for work as their safety valve. Without this prospect, frustration and hostility mount.

The Los Angeles riots mark 25 years of "urban crisis" in the United States. In the summer of 1967 a wave of civil disturbances poured through America's central cities, leaving 43 dead and 7,200 arrested in Detroit alone. There had been riots before, most notably in the Watts district of Los Angeles in 1965. But it took the summer of 1967 to convince most Americans that these were not isolated events.

On July 27, 1967, as the last of the riots ended in Detroit, President Lyndon Johnson addressed the nation:

"The only genuine, long-range solution for what has happened lies in an attack—mounted at every level—upon the conditions that breed despair and violence. All of us know what those conditions are: ignorance, discrimination, slums, poverty, disease, not enough jobs. We should attack these conditions—not because we are frightened by conflict, but because we are fired by conscience. We should attack them because there is simply no other way to achieve a decent and orderly society in America."

The country could have responded through police suppression alone. In fact, it did turn to the police, National Guard, and army as the first response. But it also conducted inquiries into what had produced the riots and, in the process, elevated urban problems to the top of the national domestic agenda.

Two remarkable national commissions analyzed the causes and possible policy solutions to the urban crisis. The National Advisory Commission on Civil Disorders

(Kerner Commission), created in 1967, was a direct consequence of the riots. The National Commission on Urban Problems (Douglas Commission) had been launched the year before. Both submitted their reports to the President and Congress in 1968. Both—in language purged of bureaucratic ambiguity—called attention to the immense problems in the nation's central cities, presciently predicted the trends that would make things worse if nothing were done, and recommended policies that could have led the country in a different direction. The headings of the Douglas Commission's summary, "The City As It Is and As It Might Be," reveal a line of argument that requires little modification today:

> **The anger of the slums is that of people disinherited from our society.**
>
> **From a cotton field in the South, big cities look like the only chance left to the rural poor, but city slums become prisons for the disinherited when they arrive.**
>
> **Our big cities are hard up, costs of local government are skyrocketing, and representation for the poor in slums is almost nonexistent.**
>
> **Coping with metropolitan area problems is incredibly complex because of the proliferation of local governments, all with differing viewpoints....**

And at the conclusion of the summary:

> **The solutions we call for are a tall order, but they are in proportion to the enormity of the problems of our urban areas.**

Sadly, the opportunity was lost. Conditions in the inner city today attest to 25 years of neglect. President Johnson's list is a good starting point for comparison between the 1960s and now.

Discrimination

We have made progress here. There is less racial segregation than in the 1960s and less overt discrimination. There is a much stronger black middle class. However, discrimination remains a fact, in both housing and job markets. In a recent audit of hiring practices in Washington and Chicago, in which male college students posing as job applicants were closely matched on all characteristics that could affect a hiring decision except race, and were trained to behave as similarly as possible, there was clear evidence that whites were treated better than blacks—23 percent of the time in Washington and 18 percent of the time in Chicago.

Slums

Slums have been replaced by public housing projects; physical deterioration by social deterioration. The earlier belief that decent housing would automatically produce improvements in the lives of the poor was ill-founded. And the concentration of the poor produced by public housing has compounded their problems. Young people growing up in public housing projects are subjected to negative peer pressures and role models that only the strongest can resist.

Poverty

The poverty rate was 14 percent in 1967; it was only slightly less (13 percent) in 1990. The character of poverty, however, has changed. Poverty among the elderly has plummeted while the poverty rate among children has risen. Poverty is more geographically concentrated in the inner city, and it is associated increasingly with the breakdown of the family.

Disease

Access to health care has been significantly improved for the poor, and infant mortality and child death rates have declined. Medicaid is now being expanded to cover all poor children. But many of the poor remain uncovered, and more and more doctors and hospitals are unwilling to serve Medicaid patients.

Moreover, in recent years poor and minority populations in the inner cities have been disproportionately affected by stigmatizing and mortal diseases. In New York, 83 percent of women with AIDS and 61 percent of all AIDS cases were Hispanic or black.

Jobs

Our economy has been strong enough to create substantial numbers of jobs over the period since the 1960s. But structural changes—especially the loss of manufacturing jobs—have led real wages for young men with little education to fall sharply over the last two decades. The yearly income of less than $9,000 for those who work full time at the minimum wage cannot compete with welfare in many states; still less can it compete with earnings available in the drug market.

Ignorance

More people than ever graduate from high school. But in our big cities many of those who graduate are barely literate. For example:

- Twenty-five percent of Chicago public school graduates read at the 6th grade level or below.
- The reading scores of black 17-year-olds from disadvantaged urban communities are no better than the reading scores of white 13-year-olds from more advantaged communities.

To President Johnson's list must be added two items that were not on his agenda in 1967:

The Family

Almost two-thirds of all black children are now born out of wedlock. The proportion among the poor is far higher. The single-parent family is now the norm in most inner-city communities. Fathers have simply disappeared.

Crime

Crime rates fell a bit during the 1980s, but violent crime has risen rapidly in the last four years. Fear of crime is now pervasive and fuels racial antagonisms with new force, including the Rodney King verdict that led to the recent riots. The link between violent crime and drugs has also been growing. Fighting crime, moreover, has become enormously expensive. Spending on corrections is, after Medicaid, the fastest growing item in state budgets. One-quarter of black men ages 20 to 29 are in jail, in prison, or under a parole officer's supervision. Run-ins with the law are so common among young males in inner-city areas

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that most of the stigma associated with being an offender is gone, and tensions between the community and the police are high. And, law-abiding residents in these neighborhoods (many of them mothers and children) are terrorized daily by gun battles and other violence.

Since 1967, the nation's attention has been diverted from the cities for long stretches of time. In this sense, the "crisis" has often slipped from national consciousness. There never has been much doubt, however, that when domestic problems next erupted in this country, the eruptions would take their most serious form in the cities, and that eventually our nation would have to acknowledge that it had delivered only a fraction of the policy changes it seemed to have promised.

Political calculations have turned away from the central city. In 1968 it was plausible to assert that rescuing the cities, even if expensive, could be good politics. Today central cities have shrunk to a minor status in national voting totals and have lost much of their perceived relevance for big business. The federal government in the 1980s also substantially reduced funds for many programs that benefit cities and their residents. As a practical matter, local governments and individual households have found that the cheapest, most effective way for the majority to respond to inner-city problems is to contain them spatially and to put as much distance as possible (physical, institutional, and psychological) between them and the rest of the economy and society.

Adoption of a coordinated domestic policy that takes full account of urban problems may be seen as an act of conscience by the majority. But it is also critical for achieving economic growth under today's labor market conditions, and for restoring civic tranquility to our nation.

Why should we care?

- We should care as a matter of simple justice.
- We should care because we are betraying our commitment to equal opportunity for all.
- We should care because we all share responsibility for national policies that contributed to the inner-city problems we see today.
- We should care because our neglect is depriving society of its sense of community, and the cultural and social stimulation afforded by the functioning city.
- We should care because our neglect is eroding the strength of our cities as business and financial centers, and robbing the nation of valuable human resources—resources badly needed to insure an adequate standard of living for all citizens.

CHARACTERISTICS OF TODAY'S URBAN CRISIS

Central cities are focal points of vulnerability for two quite different reasons. First, they are the scene on which the country's general domestic problems are played out most intensely. Because so many of the cities' people and institutions are economically stretched when times are good, they are affected first and most profoundly by difficult national adjustments.

Under economic pressure, the cities' unskilled workers are the first to lose their jobs; the cities' remaining old manufacturing plants are the first to shut down. When opportunities for large illegal incomes appear, like selling crack cocaine, central-city youth—with the worst mainstream prospects—are the ones most likely to seize the new opportunities.

If the country as a whole lacks low-income rental housing or has rising school dropout rates, these become predominantly city problems. The affected populations are most concentrated there, public institutions are weakest, and in such large concentrations of people the problems are mutually reinforcing. The urban crisis in this sense is a magnified and intensified version of the domestic problems facing the entire country. At the same time, the spatial organization of urban areas exacerbates and intensifies inequality. To a greater degree than in much of the developed world, American metropolitan areas are segmented geographically by income, class, and race, often fortified and legitimized by local political boundaries.

This extreme sorting out of the population gives issues a special "urban" character. Crime and the fear it generates become associated with particular neighborhoods and the ethnic groups that live there. School quality and job opportunity vary tremendously across urban space. And problems of individual poverty are intensified by living in a community of poverty—where local norms can virtually dictate criminal participation as a rite of passage for young males, or promote dropping out of school as an expression of indifference to mainstream society. Spatial expression reinforces other aspects of division, heightening tensions among races and income groups.

The effect of all these factors together is to create sharp differences in opportunity for social and economic advancement.

TABLE 1: Ethnic Composition of Selected City Police Forces

City and Year	Minorities[a] as a Percent of All Police Officers	Minorities[a] as a Percent of Lieutenants, Captains, and Higher Ranks
Cleveland		
1967	7.4	0
1990	28.1	10.2
Detroit		
1967	5.2	1.4
1990	53.7	51.2
Newark		
1967	9.8	3.3
1990	47.1	not available
Oakland		
1967	4.1	2.8
1990	45.6	41.7

Source: International Association of Chiefs of Police, 1967, as reported in the Kerner Commission report; individual city police departments, 1990.

a. "Nonwhite" in 1967. African-American, Hispanic, Asian, and American Indian in 1990.

TWO PARTICULARLY IMPORTANT TRENDS AND ONE REVELATION

Although the urban crisis, like the poor, may seem permanently with us, its character has changed over the last quarter century.

Increasing Income Segregation

When the Kerner Commission prepared its report 25 years ago, it was possible to depict the urban problem as one of two societies, black and white, living in spatial separation—with black society excluded on legally permissible grounds from housing institutions, political representation, and the opportunities open to white society. That has changed. The Civil Rights Acts of 1964 and 1968, the Voting Rights Act of 1965, and subsequent legislation opened legal access to voting and political representation, housing markets, and participation in private-sector and city government workforces. Although de facto discrimination remains in many markets, particularly housing, progress relative to 25 years ago has been great.

One measure of change is the racial composition of police departments, which the Kerner Commission emphasized so heavily in explaining the hostility of inner-city residents (see table 1, above).

In the Los Angeles riots of 1992, Korean businesses were one of the primary targets of destruction. More than half the rioters were Latinos. The multi-ethnicity of the largest cities reveals the complexity of policy design and implementation as people with different cultural and educational backgrounds, as well as with different levels of citizenship, converge in the city and compete for resources.

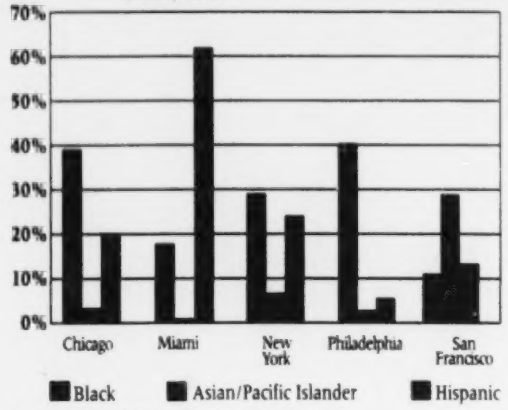
Twenty-five years ago racial segregation appeared to be the overwhelming source of geographical segmentation in urban areas. Since then, in most urban areas the segregation of African-Americans from whites has declined modestly but steadily. Income segregation, however, has increased. In 58 of the 77 metropolitan areas with substantial ghetto populations, income inequality among neighborhoods intensified between 1970 and 1980. (Census tract data for the 1990 census is not yet available for most areas.) One factor contributing to overall income stratification is the greater separation by income within the African-American community. Another is the flight of the urban middle class more generally, the class that has always provided tremendous stability to the city and its institutions.

In fact, urban America can be characterized no longer as two ethnic societies. Immigration has returned the city to an older, multi-ethnic demography. Hispanics are the fastest growing ethnic group in big cities generally, and in some cities, especially on the West Coast, the Asian population also is growing rapidly. In a few central cities, Los Angeles among them, the African-American proportion of the population declined between 1980 and 1990. These changes have produced the multi-ethnic variety shown in figure 1, which could provide the opportunity for the U.S. to become the world's first successful multi-racial society. But they have contributed also to a new dynamic of social tension, in which different minority groups collide with one another in economic and political competition.

Changing Labor Market Structure

The labor market context of cities has likewise changed over the last two decades. A national slowdown in productivity growth has severely limited wage and income growth for all workers. At the same time, the pressures of international competition have forced the American manufacturing sector to restructure by cutting back employment and relying increasingly on skilled labor.

FIGURE 1: Racial/Ethnic Composition of Selected Cities, 1990

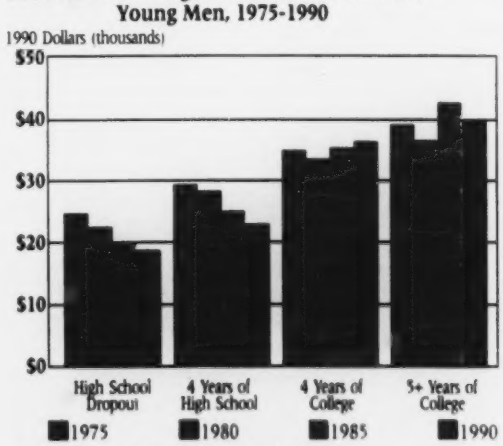


Source: *Statistical Abstract of the United States*, 1991.

These trends have combined to reduce real wages for those entering the work force with no more than a high school education. Only workers with college degrees have seen their real incomes rise. Those with high school educations or less have seen their real wages drop substantially (see figure 2).

This economic reality is redefining big-city poverty. It used to be that you were poor because you did not have a full-time job; getting a job was by far the most reliable cure. Now, more than 2 million families are in poverty despite having an adult member of the household work 30 hours or more a week, year-round.

FIGURE 2: Earnings of Successive Cohorts of Young Men, 1975-1990



Source: *Economic Report of the President*, 1992.

Note: Data based on year-round, full-time workers. Dollar values deflated by urban consumer price index.

Recognizing the Long-Term Nature of the Problems

We now know that the cities' most important problems are not temporary problems, caused by national economic fluctuations or individual pieces of bad luck. But much urban policy, and much national social policy as well, does not recognize that policies designed to tackle short-term problems cannot cure long-term ills.

The Housing Act of 1949, which escalated the construction of public housing, viewed the typical tenant as one who would need public housing resources for a relatively brief spell before moving on.

Policies designed to tackle short-term problems cannot cure long-term ills.

The nation's welfare programs were designed, at least initially, to provide income relief for temporary need. As late as 1976, the Carter administration's urban policy had as its foundation a series of avowedly counter-cyclical programs designed to combat the effects of recession on cities: public service employment described as primarily anti-recessionary; special fiscal assistance giving temporary, anti-recession financial aid to cities; and a counter-cyclical public works program operating through city governments. In 1992, many of the same policy proposals were recommended as an urban agenda to offset the effects of recession.

There is an element of opportunism in this strategy, of course. Some proponents of urban programs recognize that the problems require long-term responses, but gamble that the best tactic is to get started on a short-term program because it is easier to sell. But such a strategy has backfired. The attempt to sell urban policy as counter-cyclical fiscal policy—the view that older cities' decline in economic competitiveness is temporary, and therefore to be combated with temporary economic stimulus, or that the difficulty of finding jobs in cities is primarily cyclical, and therefore to be cured by a temporary public sector jobs program—has gone far to discredit urban programs.

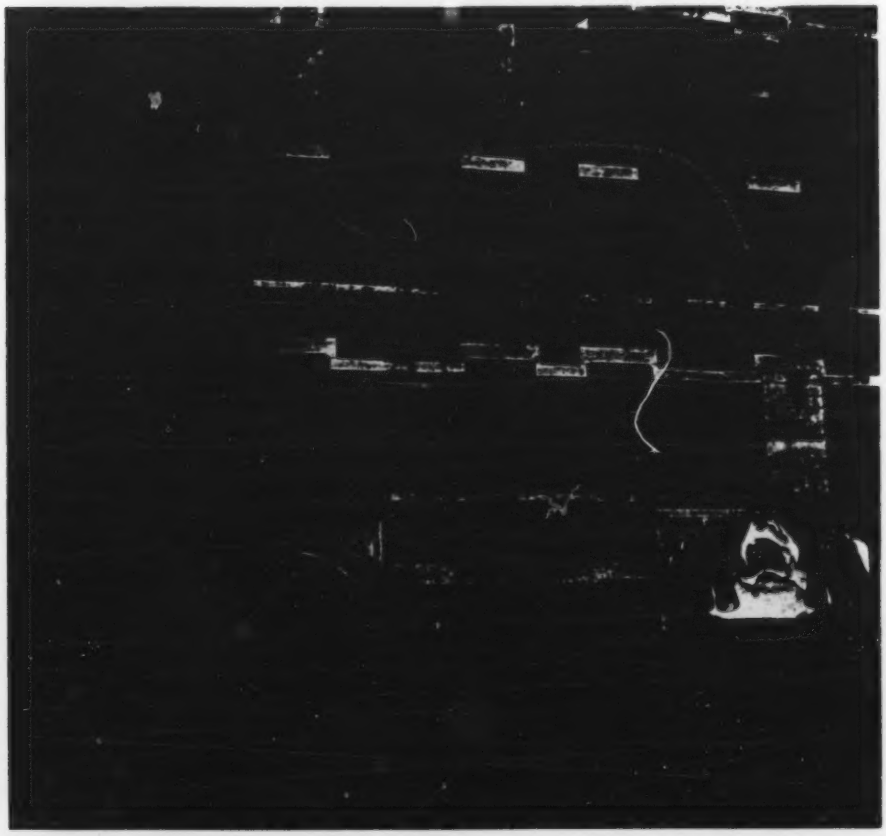
The manifest mismatch between the cities' problems and the short-term view of urban policy has led to a cynicism that sees all federal initiatives as merely political and all local government lobbying as aimed solely at getting money.

THE COSTS OF NEGLECT

Failure to respond to the changing nature of the urban crisis has resulted in massive waste of human resources; wages that cannot compete with illegal income or dependency; endemic crime, drugs, and fear of cities; and the perpetuation of unequal opportunity.

Wasted Human Resources

People without adequate skills are wasted resources. Between the years 1985 and 2000, minorities, immigrants, and women will provide more than half of all net additions to the U.S. labor force. A large fraction of these workers will enter the job market as products of urban schools or urban job training programs—preparatory mechanisms that are failing minority groups.



Among many of those who complete high school in big cities, basic skills mastery is low, as is readiness for the discipline of the adult work force.

The self-interest of society and business can no longer tolerate an urban system that fails to equip its minority groups with skills that the labor market values.

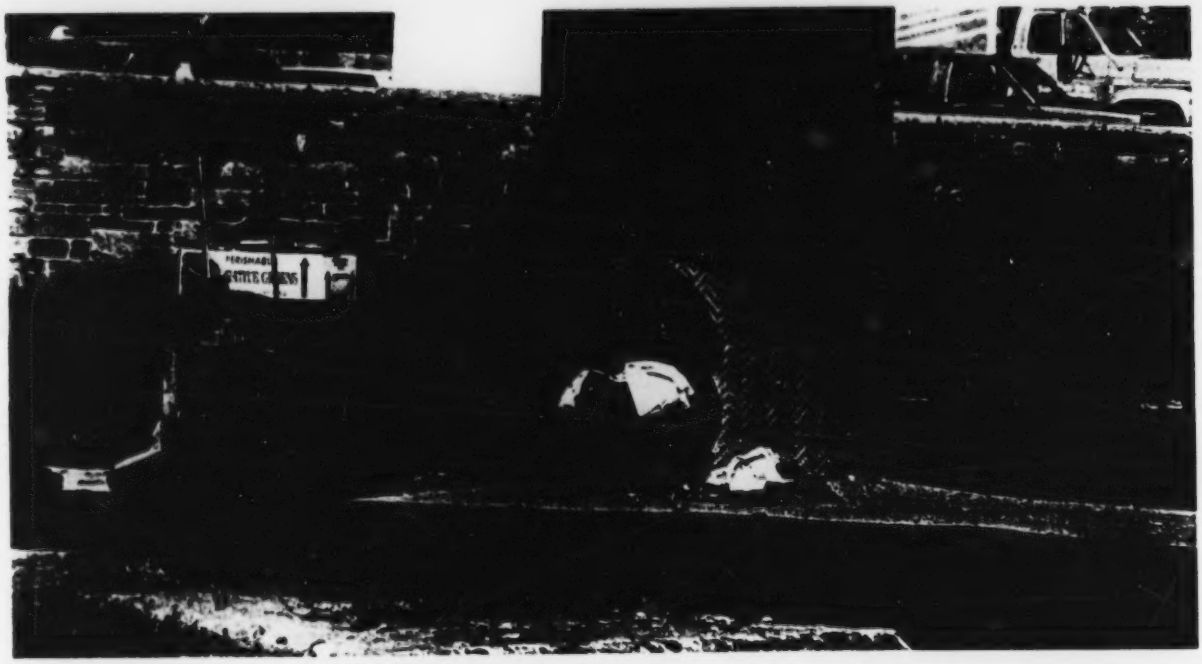
Wages that Cannot Compete with Illegal Income or Dependency

Unskilled jobs now pay so poorly compared to the increased returns of crime that legal employment has become less and less attractive to untrained inner-city residents relative to illegal income or dependency. Society has an interest in keeping the urban population engaged in productive, legal work, and in ensuring that those who do work can stay out of poverty. Achieving these objectives will require reform of the country's income support and training and employment programs.

Crime, Drugs, and Fear of Cities

Crime has become the fundamental social divider of cities. Early entrance into crime commits youths to a path that cuts them off from mainstream society. Once tagged as criminals by the justice system, they go to the back of every labor market and social queue. The fear that crime, drugs, and violence engender has led to the diminution of the city as a civic place, and exacerbated the separation of races and classes. The costs of crime (in lost or destroyed business, disrupted schools, etc.) also exacerbate the lack of opportunity in crime-ridden areas.

In the public mind, crime has become a defining characteristic of big-city life. Yet law enforcement policy has been kept separate from explicitly "urban" initiatives. The incarceration strategy of the 1980s sought to get individual offenders off the street and into jail. But the massive increases in jail sentencing had only modest effects on overall crime rates. Worse, because enforcement is concentrated in minority



neighborhoods, the arm of the law seems to have weakened informal social controls against crime while heightening tensions between minority neighborhoods and the police.

The major dilemma here is how to combine crime control with programs that build informal social controls and, at the same time, address the underlying problems.

The American city, seen throughout much of its history as an engine of social and economic mobility without parallel in the world, has become a machine that reinforces inequality.

Increasing Inequality of Opportunity

If one starts out poor and lives in a poor neighborhood, it is getting constantly more difficult to escape bad schooling or bad labor market outcomes, or to avoid crime—as perpetrator or victim. Neighborhood differences in school quality, crime rates, and social mores are widening, as are differences in neighborhood incomes. According to work by Gary Orfield, one-fourth of high school graduates from the public school system in Chicago read at the 6th grade level or lower, and there is a high correlation (.81) between the percent of a school's students who are poor and the percent with math scores below the national norm. Poorly prepared minority students from Chicago's public schools go on to Chicago State University, which has by far the lowest campuswide admissions scores of any four-year college in Illinois. Chicago State graduates, in turn, are the largest source of teachers for the Chicago public school system, where they teach children from the inner city, perpetuating educational inequality for the next generation. Closed loops like this reinforce social stratification.

The American city, seen throughout much of its history as an engine of social and economic mobility without parallel in the world, has become a machine that reinforces inequality.

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GUIDELINES FOR AN INTEGRATED POLICY APPROACH

Inner-city problems cannot be turned around without a sustained infusion of resources. Nor will it work to rush into expanding or reforming individual programs on an isolated basis. The relationships among problems must be kept in mind as a reform agenda is developed. Skills preparation in the schools, for example, is related directly to labor market access, as law enforcement is to drug treatment. An integrated approach is needed to set priorities across program goals, and recognize opportunities for different programs to reinforce a common set of goals. Nor will a separate "urban" policy be successful. A separate policy was tried in the 1960s and again in the 1970s, when urban policy became principally a vehicle for assisting distressed city governments through programs that, directly or indirectly, substituted federal funds for locally financed expenditures.

One clear lesson is that the country does not now need another generation of separate "urban" policy.

An integrated policy is possible only if the city's problems are addressed within the context of overall domestic policy. Jobs programs can be successful only if there is a national commitment to healthy economic growth. Reducing barriers to opportunity requires, among other things, a federal government committed to eradicating discrimination. The dramatic improvement in the performance of urban schools that is so urgently needed is almost unimaginable in the absence of national efforts to raise standards and add resources to education.

We offer four guidelines for constructing a programmatic agenda:

1. Choose programs as social investments.

Investments are evaluated by the rate of return they bring. An investment perspective does not automatically favor small or marginal outlays. In the urban field many of the programs that work best are expensive, because they involve comprehensive interventions. Programs like Job Corps have been shown to have good social rates of return, as measured by reductions in participants' subsequent costs of incarceration and welfare receipt, as well as their enhanced earning power. These rates of return are measured for individual behavior. The cumulative effects of such programs, if implemented on a large scale in ghetto areas, could yield even higher rates of return.

Large-scale interventions in the lives of the young have a particularly good chance of economic payback: there is a better chance of achieving results with persons who are still developing, and a longer period of potential return to society. Not all social investments are designed to have an economic payoff; some are aimed at modifying behavior in a way that is desirable in itself. Also, programs that tide people over—or allow them minimally to survive—have their place. But the funding emphasis should be on legitimate social investments—programs with strong rates of return in economic and/or behavioral terms. In a world of scarce resources, an existing program with a positive social rate of return may have to be cut back or abandoned in favor of a new program with higher returns.

2. Articulate a consistent social contract between society and those who receive program benefits.

One of the fiercest policy debates over the last decade has been about values, and about how far public programs should go in requiring program beneficiaries to reflect certain values in their behavior. Recipients of public benefits—

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housing assistance, welfare, food stamps, child support—increasingly have been expected to behave in certain ways. Expectations include (depending on the program) attending school, having annual medical examinations, participating in job training and job searches, performing public service, performing well in school or training, limiting child bearing, and not using public housing for drug sales. Although many of these requirements were dismissed initially by critics as a "new paternalism," a consensus has emerged that society has the right to expect those who benefit from programs—in return for expansion of opportunity—to embrace basic values and to accept basic restrictions on behavior. But a society that prizes liberty cannot be capriciously coercive. Hence the need to design behavioral incentives and behavioral requirements across programs in a way that communicates clear, consistent, and realistic expectations about behavior.

3. Attack spatial segmentation.

As long as urban areas suffer from extreme differentiation by class, race, and income, they will be sites of conflict and selective exclusion. A domestic policy that seeks to address city problems should carry a commitment to reduce spatial segmentation. This means subsidizing people and governments, where necessary, to break down residential segregation—through helping inner-city families move to suburban neighborhoods, and through gentrification and physical redevelopment that can retain what is left of the middle class and help bring back to the central city those who have fled. It also means opening access to the institutions that are most tied to the sorting-out process—e.g., school choice across district boundaries, fiscal equalization for local governments. Finally, it means encouraging mobility so that individual households can move more easily up the metropolitan opportunity ladder—e.g., jettisoning programs that tie beneficiaries to specific (poor) places, improving inner-city schools and housing, and also encouraging programs that enhance mobility, such as vouchers for housing and reverse commuting services.

4. Recognize that federal, state, and local governments and communities all have a role to play.

Each level of government possesses unique strengths and limitations in dealing with central-city problems. The federal government has demonstrated strength in social insurance and antidiscrimination. Social insurance—which includes programs like child support assurance, earned income tax credits, and training and employment programs—is properly a federal responsibility, as is regulatory leadership in fighting housing and job discrimination.

State governments are the appropriate jurisdictions, for example, to clear away the institutional barriers to far-reaching educational reform, to overhaul social welfare and criminal justice codes, and to reduce the great fiscal disparities that scar the metropolitan landscape. Innovative states are currently pushing ahead on these fronts. An integrated national domestic policy needs to encourage urban states to forge ahead in these areas by fiscally rewarding such efforts.

The best efforts of national and state policy makers will fall far short, however, without the leadership of big-city mayors. Only they can create effective working relationships with community and business groups, the suburban neighbors that surround them, and state legislators; and only they can put together an integrated system of community-oriented services.

Finally, the communities themselves are crucial. Fundamental attitudes and values cannot be changed by external programs. Such change becomes possible when local communities, taking responsibility and initiative, combine external resources with their own determination to identify and confront their problems.

Economic Prerequisites

Underlying these guidelines is the imperative that the nation pursue stronger economic growth. Indeed, without aggregate growth the divisions within society, including divisions between the cities and the rest of the nation, will get worse. Economic growth is needed for job creation, for upward mobility, and for society to afford an increase in social investment. A programmatic urban agenda should not be framed as an alternative priority to encouraging business investment, reducing the deficit, or strengthening the national savings rate. Rather, these are the economic and social prerequisites for paying attention to the cities. We can get started with an urban agenda by reallocating dollars and priorities within existing programs, but to make substantial progress we will need the support of a stronger domestic economy.

PROGRAMS FOR URBAN AREAS

An action program for urban areas must invest in the people of the cities; in the city as a place where people live, learn, and work; and in programs that can break down the paralyzing effects of racial and income segregation, so that residents, wherever they live, can lay claim to the public resources of the entire urban region. We know some programs work, we have evidence that some programs are promising, and we know that some programs make no difference, or worse, are counterproductive. What programs should society choose for its investment portfolio?

Programs that change the entire environment of children or youth have the greatest success in changing lifetime behavior.

HUMAN INVESTMENT

The first challenge in human investment is to expand the scale of programs that have been shown to work in connecting people with mainstream social values and the mainstream labor market. The second is to acknowledge that the public schools do not work for the inner city, and that exhortation and symbolism are no substitute for reform.

Immersion Programs for Children and Youth

Programs that change the entire environment of children or youth have the greatest success in changing lifetime behavior. For preschool children, Head Start has had modest success, although long-term gains require follow through in the early grades. Head Start immerses the preschool-age child in an alternative world of security and order, high expectations, and preparation for school and social skills. The Perry Preschool program, a particularly enriched experimental program for preschoolers, has achieved returns of $4.25 for every dollar spent. Enriching Head Start could potentially achieve such major returns. This type of investment pays off for both the child and society, whether measured by future school performance, dropout rates, juvenile criminal activity, or employment earnings. But Head Start reaches only a quarter of the 2.5 million low-income children, most of them living in cities, who are its logical target group.

For adolescents and young adults, Job Corps offers a similar immersion in mainstream opportunity, this time with emphasis on preparation for the labor market. Youths, primarily high school dropouts, move out of their neighborhoods into special Job Corps centers, where they learn the discipline of high-performance work, supplemented by special skills instruction and work force socialization. Job Corps also has proven to be a successful investment. Society recoups almost 50 percent more than it puts into Job Corps through reduced crime, prison and welfare costs, and increased tax receipts. Various options for expanding the Job Corps approach have been proposed. Most of the options involve volunteer service. The Youth Corps programs run by many cities and the national service proposals now before Congress operate closer to youths' homes, but retain the immersion approach. They require a 9- to 12-month commitment, and have the advantage of recruiting across income and social groups. Job Corps now serves only 60,000 youth a year. Preliminary evidence that Job Training Partnership Act (JTPA) programs are not effective for youth only highlights the need for immersion programs like Job Corps.

Schools

Between preschool age and early adulthood, schools are the principal institution affecting children's lives. Since 1965, federal and state governments have tried to improve local education via programs directed to population groups. This approach assumes that the regular local educational program is sound, but that (a) some localities do not give poor and minority students full access to the regular program, and (b) even when they are treated equitably, poor and minority children need something extra.

These assumptions and the programs that embody them do not match today's realities. Most center-city schools are chaotic and ineffective for all their students. Further, such school systems do not need "exceptional" programs for poor and minority students, because virtually all their students come from these groups.

We need standards and systems that monitor and assess what students are doing. Expectations for the disadvantaged should not be any lower than for anyone else. Programs that demand the same performance from inner-city children as from other children have worked. But we need real innovation, not just marginal improvements. For example, we need school personnel trained not just in pedagogy but also in child development, to enable them to deal with the psychological and cultural deficits of children from disadvantaged families. James Comer and colleagues have used this approach in the New Haven, Connecticut, schools and elsewhere with dramatic results. They completely turned around two elementary schools where the students were overwhelmingly black and poor. From a ranking at the bottom of the 33 elementary schools in the city in 1968, they rose to third and fourth in achievement by 1984. Successful models like these can be built on, particularly given that the administration's education proposals are designed to produce more choice and more innovation.

The effort has begun, but to date it is primarily local, led by coalitions of business and civic leaders who fear that their local schools will pull the whole city down. These are promising and necessary efforts. Every big city is unique, and the urban systems must be rebuilt one by one, largely by the people who work there. Local coalitions with reform strategies—investment agendas that can rebuild dilapidated schools, revise curricula, and retrain or select out inadequate teachers—are necessary counterweights to teachers' unions and school district bureaucracies that may be uncomfortable with drastic reform.

But local coalitions cannot stand alone. Even after they create leaner and more efficient organizations, big-city schools will not have enough money to catch up with the billions of dollars of deferred maintenance, the need for intensive teacher retraining, curriculum development and experimentation, and the need to hire teachers who can communicate with immigrant students. School choice programs that allow students to enroll in schools outside their own neighborhood and outside their own school district can be used to expand access, but cannot substitute for the needed resources—which are unlikely to be available entirely from local sources.

President Bush's America 2000 strategy, an effort to refocus federal investment on upgrading schools across the board, is a promising start. But it does not recognize that inner-city schools do not have the fiscal capacity to improve. It assumes that devastated urban

school systems can respond to higher standards and increased pressure for student achievement as readily as can more stable and affluent suburban and smaller-city systems. State reforms have established new goal compacts, testing programs, and higher graduation standards. These actions set the bar higher for urban school systems, but do nothing about strengthening them enough to jump. Reforms of the 1980s were based on the adage "What you measure improves." Unfortunately, the measurements that were instituted led some urban schools to improve scores by eliminating parts of their curricula that were not expressly tested, and finding ways (including tolerating dropouts) to exclude the worst-performing students from being tested.

Big-city school systems as they stand need to be recognized as the most important institutional failure of the cities and of the country at large. Properly designed goals, tests, and standards, if they are tied to serious efforts to help, are necessary if inner-city schools are to give children a real chance. Schools should be given strong incentives to enforce them and penalties for failure to do so. But without the resources for schools to improve, standards are hollow and can be ways for politicians to give the appearance of action and transfer responsibility for failure to local educators.

Nurturing Programs for Adolescents

We cannot wait for the schools, however. There are poor children and youth who need help now with critical life choices—choices that affect adult employment and wages, health and disability, and quality of parenting. Poor inner-city children lack the institutions on which most Americans rely to nurture and socialize children in ways that strengthen their ability to make these choices well.

Challenges to youth development are especially acute for young black males. Because frequently their families lack positive, same-sex role models, in early adolescence inner-city black males tend to develop strong peer cultures that do not conform to mainstream norms. Left to discover notions of masculinity among other adolescents and "men on the streets," young black males learn habits that reduce their ability to get or keep a job. With little chance of high-paying employment, drug selling becomes a preferred alternative for many. Street rules of masculine conduct also encourage sexual intercourse very early. Those who achieve little in school and in the workplace are most likely to become fathers prematurely—and least able to provide financial and developmental support for their children. The cycle of urban poverty begins anew.

There is as yet no policy strategy for helping at-risk adolescents, especially boys, make positive life choices. There are, however, several community-based programs, funded mostly in the private sector, that suggest ways to build institutional supports to do the job. Programs vary widely, but they share a few critical elements: a common belief that caring relationships are the most critical requirements for working with urban youth; a targeting goal of youth ages 10 to 15 from low-income, absent-

father families; emphasis on helping youth develop coping strategies; and provision of non-monetary incentives to help youth value positive choices.

Three basic types of agencies currently sponsor programs for urban youth: minority community agencies; mainline youth-serving agencies; and college, university, and business programs. Together, they suggest several ways to build institutions that support the nurturing role of poor families. However, currently there is unequal access to the minority youth, unequal access to funds, and mistrust and misinformation across sponsoring agencies. Government can help overcome these obstacles by encouraging and financially supporting joint development ventures by programs serving this extremely vulnerable group of Americans.

Income, Work, and Public Benefits

So far the discussion has focused on youth, stressing that human investment in youth has the greatest payoff, particularly in the long run. It has not yet addressed directly the cold fact that residents of the inner city are poor and need help now. Their living standards are often miserable, and their family structure and self-respect can be hurt rather than helped by the public benefit programs on which many of them depend.

Over the years, U.S. social and welfare programs have been enacted to address specific issues and problems. The initial straightforward objective of such programs was to help persons who could not work to support themselves. Over the decades since passage of the Social Security package of the 1930s, this objective has become increasingly blurred, as economic conditions and social mores changed, and the character of poverty shifted. Poverty has now become particularly severe for female-headed families, rather than the elderly as in former times. The poor now also include many who work full time, year-round, but earn low wages. Finally, poverty is increasingly concentrated in the inner city, where it interacts with other elements of social and economic isolation to produce an alienated as well as a disadvantaged society

These changes in the character of poverty have exposed underlying ideological issues about society's obligations to the poor, and program beneficiaries' responsibilities to society. Perhaps the most important theme in the nation's recent attempts to alleviate poverty has been a desire to provide an adequate level of income and social support to the poor (especially children) without discouraging work or family stability.

A good starting point in thinking about social program reform is to realize that the poor are not all alike and will not all benefit from the same programs. Three major groups can be usefully distinguished: poor persons who are not working but can work, poor persons who are working but are still poor, and poor persons who cannot reasonably be expected to work. A policy response that recognizes these distinctions can be built around income security combined with guaranteed employment opportunities and training, work-based wage supplements, and social support services.

One place to start a broader income security system would be with a national child support assurance program. It would impose stronger financial obligations on parents, especially non-custodial fathers, than Aid to Families with

Dependent Children (AFDC), and would not penalize labor market work by mothers as does current welfare. Custodial mothers would be guaranteed a certain level of income for their children, with the government supplementing the father's payments, if necessary, to reach a certain standard. The most comprehensive version would both provide income security for children, preferably outside the welfare system, and labor-market assistance and job training to both parents to improve their financial circumstances.

For those without work, a large-scale training and guaranteed employment program could be targeted to the inner city. The JTPA preliminary results do show increased employment and earnings of adults (both men and women) who participate. The primary objective of such a program would be to improve the human capital in urban areas, but it would also put existing idle resources to productive use, creating goods and services badly needed in the inner city. Guaranteed jobs could be in the private sector, or the public sector if the private market is unable to employ all persons needing jobs.

Supplementing low wages without penalizing work, or unduly burdening business, can be done through an expanded earned income tax credit (EITC), which already exists for families with children. This policy provides those below an appropriate threshold of earned income a cash credit designed to bring their incomes to the minimum level society feels is appropriate. A combination of child support assurance, wage supports, child care, and a subsidized jobs program could remove a large number of families from the current welfare rolls. Public welfare could then become a social services system for persons who have long-term needs and multiple problems—those not even minimally employable without intensive supportive services. Welfare offices at the local level could return to their previous role as the core providers of integrated community-based social service support for all needy persons, whatever the reason for their need. Such a comprehensive program would have substantial short-term costs but could be designed in a way to reduce long-term total, as well as budgetary, costs.

INVESTMENT IN CITIES AS PLACES

Urban renewal was the nation's first modern urban policy, based—at least implicitly—on the view that physical deterioration and slums were the principal ailments and slum removal and rebuilding were the cure. In fact, the urban renewal approach might have worked

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had slum removal been coupled with helping low-income residents acquire better housing throughout the communities of the urban region. Buildings were indeed torn down, but the slums merely moved elsewhere in the city and continued to grow.

Investment in cities as places still forms an important policy element. However, society has surrendered the naive environmentalism that led it to believe that better physical structures would remedy much of the cities' social distress. Today investment in places means investment in neighborhood communities, with the principal goals of providing jobs and relief from fear of crime and drugs. Such investment recognizes that, while low-income families in central cities do a good deal of moving about, and some move upward and out, many are denied access to mobility out of underclass neighborhoods. Given the power of neighborhood conditions to affect individual lives, it also makes sense to try to alleviate the consequences of households' social and spatial immobility by improving their neighborhoods.

Targeting Job Creation in Inner Cities

Spatially targeted jobs programs (i.e., programs aimed at creating jobs in specific areas) have come to be identified with enterprise zones and similar redevelopment projects. Unfortunately, the record of attempts to halt or reverse the trend toward job decentralization is not encouraging. Those parts of the city that are closest to market competitiveness, like a central business district that still enjoys market demand, can be turned around through redevelopment measures. But the jobs thus created are available to workers throughout the metropolitan region.

The specific spillover benefits to the cities' lowest-income residential neighborhoods are modest. Inner-city core areas, which are more insulated from regional competition and where jobs are more likely to be filled by local residents, also face much greater competitive disadvantages. There are virtually no examples of success in restoring strong economic activity and job creation to an inner-city area the size of South Central Los Angeles, as is being attempted in the wake of the riots.

Such efforts are still worthwhile as experiments that can tap new forms of community commitment. However, in designing programs we need to take account of what we have learned about spatial targeting. Spillover benefits from spatial subsidies almost always are modest relative to direct benefits. If the objective of development projects is to create jobs and economic opportunity for area residents, these goals have to be reflected directly in program design. Employers moving into a development zone should receive subsidies to hire residents and assistance for job-related training. Small-business creation should be encouraged among ethnic groups that are most likely to hire large numbers of local residents. In sharp contrast, programs that offer capital gains tax breaks dissipate their benefits. Owners tend to invest in capital rather than jobs, and shy away from the risks of local labor. Many of the tax breaks get capitalized into land values, leaving local landowners rather than local laborers the principal beneficiaries.

Targeted spatial development, in sum, is no substitute for policies that open up access to the metropolitan wide job market (such as reverse commuting and enabling poor families to find housing outside ghetto neighborhoods).

Making Inner-City Neighborhoods Safer

Community-focused crime and drug control programs show more promise than redevelopment programs as neighborhood strategies. These appeal to what might be called the conjunction of the physical neighborhood and the social neighborhood. They combat the community disorganization and fear that have crippled large parts of the inner city and have estranged affected neighborhoods from the rest of the urban region.

The law enforcement strategy of the 1980s emphasized arrest and incarceration, achieving a huge increase in the formal sanctioning of criminal behavior. The proportion on probation increased by 126 percent, the number in prison by 134 percent, the number in jail by over 150 percent. By the end of 1990, 4 million Americans were under the supervision of the justice system, including (as noted) one out of four black males ages 20 to 29. For certain classes of high-risk individuals, like urban African-American young male dropouts, the proportion is as high as three out of four. Yet despite this crackdown, fear of crime—and fear of the city as the seat of crime—has mounted.

One critical task facing crime control in the inner city today is the need to balance law enforcement and sanctioning practices with strategies that build informal social controls and address some of the underlying problems that contribute to crime. At the heart of the Los Angeles riots was the tension between a "get tough" police force and the inner city.

Awareness of the critical importance of working with community residents to maintain order and protect citizens and property has led to community-oriented policing on a limited, neighborhood-specific basis in many cities. Similar to traditional enforcement based on the local officer-on-the-beat, this approach uses strategies designed to build police-citizen partnerships through personal contact. Through door-to-door visits and foot patrols, officers work to establish communication with residents, build trust, and identify potential crime problems and prevention approaches. Evaluations of some community policing projects have found reduced fear of crime and enhanced cooperation between residents and the police, even though crime rates are not always affected. Enhanced cooperation can go a long way toward reducing the alienation felt by inner-city residents, and make possible both informal social controls against crime and strict police enforcement with community support. Efforts to "design-out" crime in business districts and schools by controlling lighting, access, and surveillance are also promising.

Drug abuse is a pervasive aspect of today's urban crime problem. The perception of a strong link between drugs and crime is borne out by high rates of drug use, primarily cocaine, among arrestees. In 1990, in 15 of 23 large cities across the country, more than 40 percent of male arrestees tested positive for cocaine at booking. There is substantial evidence that programs that reduce drug abuse are effective in reducing crime. Drug treatment

reduces aggressive crime among drug-involved offenders by one-third to one-half, although offenders will avoid treatment unless faced with severe penalties. Drug treatment is estimated to save $11.50 for every dollar spent, a good portion of it in reduced incarceration costs. This suggests an expanded role for drug prevention and treatment in the national drug control policy and in local crime prevention. In addition, drug abuse control needs to be a central part of corrections programs.

Youth development activities such as those already described are an effective element in a broader approach to crime prevention. Previous evaluation indicates that inner-city organizations that work with high-risk youths are able to divert them from crime. Services can include sports, job training, mentoring, dropout prevention, and other activities. An example is the Cities in Schools initiative, a delinquency and dropout-prevention program operating in cities across the country. Preliminary evidence indicates great promise for the effectiveness of this initiative.

Another potential example is the administration's Operation Weed and Seed. Its intent is to target violent crime, drug use, and gang activity in high-crime neighborhoods by aggressive efforts to crack down on violent offenders and drug-related crime combined with social services (including prevention programs, educational services, family services, and recreational programs). Weed and Seed is designed to involve the private sector—businesses and other organizations—in crime prevention in high-risk neighborhoods. On the drawing board Weed and Seed looks promising.

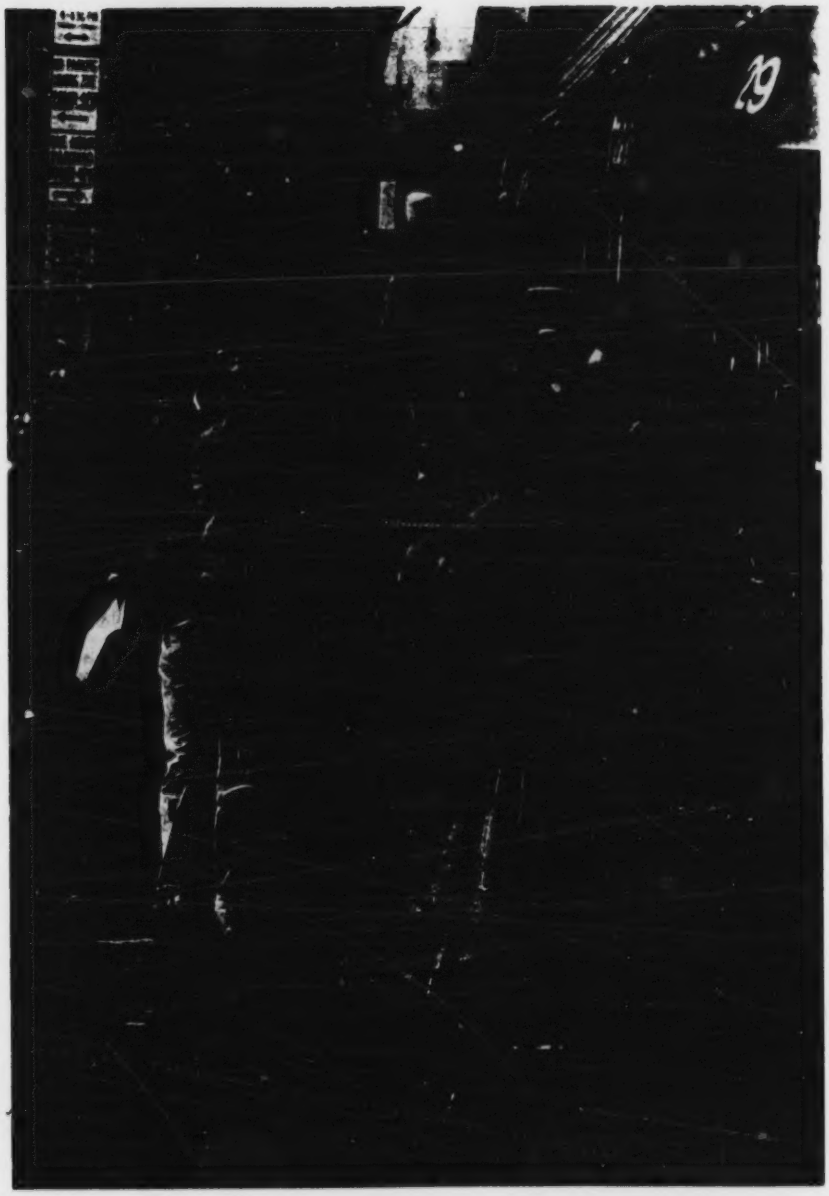
MOBILITY OPPORTUNITIES

Whatever other initiatives are tried, urban areas in the United States will remain places of social tension and frustrated opportunity as long as they are spatially segregated by income and race. We need to break with the past, not merely identify and expand past successes, in attacking this spatial segmentation.

The most direct route to reducing segregation is through housing policy. We possess good evidence that families who move from central-city public housing to suburban neighborhoods improve their children's school performance and both parents' and children's work hours and labor income. The Gautreaux program in Chicago uses housing vouchers to promote suburban integration. Poor families living in central-city public housing projects (or eligible to move into public housing) receive housing allowances along with one-time assistance in finding an affordable apartment in an integrated or predominantly white neighborhood. This program has now been in operation for about 15 years. It has not aroused opposition from the "receiving" neighborhoods, and Gautreaux families that have moved out of central-city poverty neighborhoods have achieved significant, long-term gains in education, employment, and economic well-being. Expanding this program to provide assistance to all eligible households and to encourage dispersal of central-city poverty concentrations seems particularly promising as a government housing initiative.

At the other end of the housing market, so-called gentrification (the movement of

higher-income families back to the central city) also should be an object of encouragement from public policy, directed particularly at childless mid- to higher-income households, which are growing as a share of total households for both whites and blacks. Despite the political controversy surrounding gentrification, it is critical, especially in the largest and poorest cities, to reversing the growth of income segregation. And it need not be feared as long as the poor households already in the area are effectively protected.



In the absence of residential dispersal, urban policy can open access to the institutions most closely tied to spatial segregation. Public school systems often are the motivating factor behind urban divisions of this kind. Programs that allow students to move voluntarily across school district boundaries open access to better schools for the poor, place pressure on the worst schools to improve or shut down, and reduce incentives for residential segregation. Under such a court-ordered program, almost 10,000 residents of St. Louis, mostly minorities, are voluntarily enrolled in suburban schools. Drastic predictions of social conflict to the contrary, the program is now operating without substantial resistance and with good records of school achievement by city residents.

A more general attack on income segregation should reduce local governments' ability to benefit on their tax rolls from segmentation. Such segmentation reinforces all other elements of segregation. As long as local governments' tax bases are tied to local property values and local economic activity, jurisdictions have strong financial incentives to try to zone out poor people and zone in high-paying commercial property. If successful, they are able to offer residents better quality public services for the same tax rates.

The federal government and especially the states can provide strong incentives for local tax base sharing. Grants from higher level governments can be tied in part to local agreements to share the value of commercial property, as well as other elements of the local tax base, for property tax purposes. Minneapolis/ St. Paul, for example, has now implemented a state-mandated policy of neighborhood sharing of a proportion of the growth in metropolitan area revenues. Such tax-base sharing may appear extreme, but not

from a comparative perspective. Few other countries permit the degree of local fiscal separateness that has become common in urban America.

BUDGETARY IMPLICATIONS

The recent Los Angeles riots are a symptom of the severe economic and social problems that face American society. If we continue to neglect these problems, we will further polarize our society and greatly limit the opportunities of future generations for economic advancement, social growth, and political stability.

This report is meant to be a starting point for developing concrete strategies to address the problems of the cities. However, these problems will not be solved unless we, as a nation, are prepared to consider drastic shifts in the way our resources are used and allocated. It gives some idea of the scale of the necessary shifts to note that the currently discussed urban program of $2 to $3 billion is not even enough to buy every American one ice-cream cone a week for a year.

To meet the needs of the cities, resources will have to be shifted within both the public and private sectors, from consumption to investment, and from less productive to more productive investments. The reexamination of domestic social investments should accompany a new commitment to economic and physical investment as the country looks to strengthening its future productivity. And we cannot responsibly shift the costs of today's social adjustment to the next generation by "paying" for budget expenditures largely through borrowing. The present generation of citizens will have to do its part. That is likely to mean higher taxes—whether at the federal, state, or local level. There is still room to pay for national priorities—the country's combined tax burden now is the lowest of any Western industrial power.

LEADERSHIP

Significant progress is not in the cards in the absence of *leadership* at all levels (from the President to community leaders) and *understanding* that we are talking about a sustained effort over at least a decade or two. If leadership and understanding can be brought together, the country may be willing to commit the resources necessary to do the job. If not, we will fail to meet one of the most persuasive imperatives of our time, and we will pass on a less competitive nation to our children. ■

RELATED READING

THE URBAN INSTITUTE'S URBAN OPPORTUNITY SERIES

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